BC Investment Management Corporation

2005-2006 Annual Report

bcIMCinBC

ABOUT bcIMC

The British Columbia Investment Management Corporation (bcIMC) is an investment manager that works in partnership with its clients and consistently delivers high returns over the long term through cost effective and responsible investments. We offer professional funds management services for all major asset classes: short term and fixed income securities, mortgages, Canadian, U.S. and international equities, private placements, real estate, infrastructure and currency. Our clients include public pension plans, the provincial government, public trusts, and insurance funds.

bcIMC is one of Canada's largest investment managers with more than $76 billion in assets under administration.

ON OUR COVER

The totem pole that stands in the community centre of Fairwinds, Vancouver Island. See page 3 for details.

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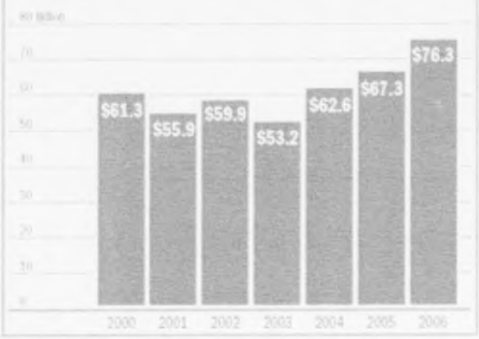
bcIMCinBC

Assets Under Administration

$ Billion *for the year ended March 31*



Assets Under Administration

$ Million *at March 31, 2006*

	Assets $	%
Bonds	22,791	30.0
Canadian Equities	15,582	20.5
International Equities	12,307	16.1
U.S. Equities	9,923	13.0
Real Estate	7 193	9.4
Short Term Securities	4,225	5.5
Mortgages	2,210	2.9
Private Placements	1,912	2.5
Currency Overlay	110	0.1
Total	**76,253**	**100**

2005-2006 Highlights

A successful year by every measure...

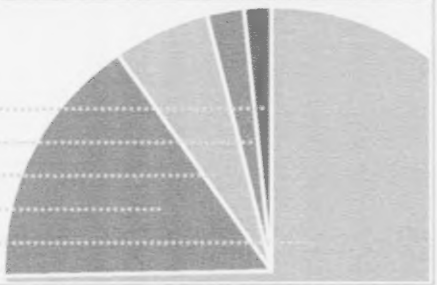
bcIMC added over $1 billion in value for its pension clients. bcIMC continued to position itself to meet our clients' priorities and goals.

1. The annualized return for a bcIMC balanced pension portfolio was 15.7 percent for the fiscal year ending March 31, 2006.
2. We added value (total return less market benchmark) of over $1 billion (200 basis points) for our pension clients.
3. The funds we manage grew to $76.3 billion.
4. Four new clients chose bcIMC to manage their funds, expanding bcIMC's mandate by $150 million.
5. We increased our commitment to international real estate by almost $500 million, providing greater geographic and economic diversification for our clients.
6. We expanded our Strategic Investment and Infrastructure Pool by participating in several private and public opportunities.
7. We finalized the arrangements for in-house mortgage servicing that will become operational in 2006.
8. We improved client reporting, with increased focus on environmental, social, and governance issues.
9. We continued with the implementation of two information system initiatives that allow for "straight-through" equity trade processing and enhanced management of private placements.

Client Profile

$ Million *at March 31, 2006*

	Assets	%
Government Operating Funds	1,179	1.5
Public Trusts	1,727	2.3
Sinking Funds	4,353	5.7
Government Bodies	11,872	15.6
Pension Plans	57,122	74.9
Total	**76,253**	**100**



bcIMCinBC

Although bcIMC is a global investor with an international network of managers, we have strong ties with British Columbia. We serve the broad B.C. public sector, and the results of our investment management services touch the lives of more than 375,000 B.C. residents. Our global focus and network allows us to meet the investment needs of our clients. In pursuing opportunities, bcIMC is aware that our investment activity impacts local communities, businesses, and the environment both here in British Columbia and elsewhere through our global reach. The introductory pages of this report showcase three bcIMC investments with a presence in British Columbia.

Future Growth:
bcIMC invests in real estate assets such as shopping malls, office buildings, and residential developments.

page 3 showcases ***Fairwinds****, a residential community on Vancouver Island.*

Local Going Global:
Through our fund managers, bcIMC invests in promising companies like ***lululemon athletica.***

page 4

Sustainability:
With our due diligence, compliance program, and responsible investing initiatives, bcIMC takes the environment into account. The ***Parkside Victoria Resort and Spa,*** which will incorporate environmental standards in building design and construction, is one example.

page 5

bcIMCinBC

Future Growth

bcIMC's investments in real estate, mortgages, and service infrastructure have a positive impact on communities around British Columbia.

The totem pole that stands proudly in the Fairwinds Community Centre is carved in a modern-day style using Coast Salish shapes and forms. The eagle represents strength and high stature, and the bear symbolizes power and astuteness. The orca is believed to be able to transform from whale to human form.

bcIMC may not be a household name, but we have a presence in many British Columbia communities. As of March 31, 2006, we had nearly $1.3 billion of capital committed to construction projects within British Columbia. Our investments in real estate and mortgages include office buildings, industrial warehousing, retail malls, and housing. Our investments also include infrastructure such as rapid transit lines and transportation corridors.

Fairwinds, located on Vancouver Island north of Nanaimo, is a prime residential development with over 400 homes, a community centre, hotel, a marina, and a golf course. Purchased by bcIMC in 1999, Fairwinds has approximately 700 acres of developable land remaining. To date, 688 single family and townhome units have been developed, and the current development phase is expected to add another 150 units. Servicing and sale of these lots will be completed by 2008. In addition, the planning for the development of up to 280 additional units is underway.

The Fairwinds management team is committed to environmental stewardship, and any new development is subject to an independent environmental assessment. During construction, efforts are made to minimize the impact on the environment, and residents are encouraged to be environmentally sensitive. The use of indigenous plant species is encouraged.

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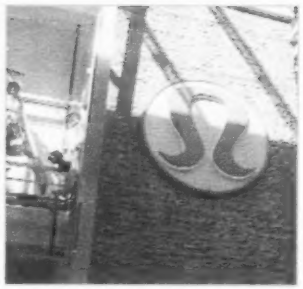
Local Going Global

bcIMC is building and managing a global portfolio of private investments, including companies located in B.C., that generate the risk-adjusted, long-term returns our clients require.



Just as lululemon athletica encourages a healthy lifestyle, many bcIMC staff are active and health conscious. Our building is located on a walking and cycling trail called the Galloping Goose, and it is common to see our employees cycling, jogging, or walking to and from work.

Our portfolio managers devote considerable time and effort to identifying and understanding promising investment opportunities and negotiating appropriate terms and conditions. But their work does not stop there. Once an investment is made, our portfolio managers monitor and evaluate the financial progress of the investment and provide ongoing advice and support to company management and its board of directors. Investing in private equity funds requires a long-term commitment; investors must often wait 10 years or more to fully realize the value.

lululemon athletica, a premier athletic and yoga apparel specialty retailer, is one example of a home-grown company in which one of bcIMC's fund managers has invested. Growing from its roots in the Kitsilano neighbourhood of Vancouver, lululemon is now a company with retail stores in Canada, U.S., Japan, and Australia and has the potential to expand to 300 global stores. The design and production team is based in Vancouver and is continually researching emerging fitness trends and introducing innovative sewing techniques and fabrics in its range of clothing for specialized sports.

Even though lululemon now has a global presence, it remains authentic to its West Coast roots and is committed to building a community legacy. This includes building networks with athletes and yogis, supporting charities, and introducing innovations that reduce environmental pollutants in garment manufacturing and retailing. The community legacy also extends to their physical space; the construction of future lululemon stores will incorporate energy efficient and environmentally responsible building practices, and make use of natural building and maintenance materials.

Sustainability

The environment is an important investment consideration and bcIMC takes into account the environmental issues linked to our property investments.

Leadership in Energy and Environmental Design (LEED®) was created by the U.S. Green Building Council to:

- define "green building" by establishing a common standard of measurement;
- promote integrated, whole-building design;
- recognize environmental leadership in the building industry;
- stimulate green competition; and
- raise consumer awareness of green building benefits.

Before bcIMC makes an investment, assessments are conducted to establish the presence of environmental factors or activities that may detract from the environment and the value of the asset. This assists with more informed decisions on mortgage and real estate investments. Post-acquisition, the tenants' use of properties is monitored to ensure compliance with all environmental legislation.

Increased global awareness of environmental concerns is also creating a new market for environmentally-sensitive products and encouraging companies to adopt sound environmental practices. With this trend, it is likely that there will be more investment opportunities in the environmental arena. Investments that meet the risk/return requirements of our clients will be pursued.

Parkside Victoria Resort and Spa, in Victoria, is an example of an environmentally-sound development financed by bcIMC. This will be a mixed-use building that will house 126 residential, fractional share condominium units and 33,931 square feet of commercial space. Environmentally responsible practices influence both the design and construction of the building. Once completed, Parkside Victoria will be Canada's first LEED® Platinum building, the highest environmental standard that can be assigned. LEED® standards will be used throughout the building and include the use of innovative waste water technologies, optimized energy usage, certified wood from rapidly renewable species, and the use of low emissions materials.

Report from the Chair

bcIMC plays a key role in providing retirement security for almost 375,000 pension plan members in B.C., and also invests the insurance funds that cover almost two million workers and 173,000 B.C. employers.

With over $76 billion in assets under administration, bcIMC is the largest institutional investor in western Canada. bcIMC has over 50 clients from British Columbia's public sector, ranging from pension plans to worker accident insurance funds, and from public trusts to the provincial government.

Our annual reports have featured a variety of themes reflecting the interests of our clients and stakeholders. Having profiled bcIMC's global relationships in the 2004-2005 annual report, this year we will focus on our presence in British Columbia.

bcIMC's activities affect the people of British Columbia in different ways. The Annual Report profiles three cases where bcIMC is present in the lives of the community, but many people also benefit from the results of bcIMC's investment activity.

bcIMC's dual accountability framework allows for effective governance. The Board of Directors oversees the management, approves the business plan and investment policy for pooled investment portfolios, and ensures that client service and risk management is in place. The governing

Report from the Chair

fiduciaries – the client representatives/trustees – ensure that their assets are invested appropriately, and in accordance with their policy direction. bcIMC management staff serve as the managing and operating fiduciaries. This framework provides effective governance – thanks to the efforts of the bcIMC Board and the diligence of trustees and client representatives.

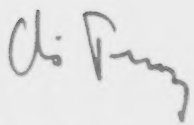
bcIMC has always been a responsible investor, but as the understanding within the investment industry changes, so must bcIMC. Today, environmental, social, and governance issues are taking a higher profile throughout the investment process. This issue, and especially the management of environmental risk, were key topics for the Board this past year. Our discussions focused on the impact on bcIMC's operations, as well as the long-term impact of climate change on the value of our clients' assets. The aftermath of Hurricane Katrina provided us with a real example. As bcIMC moves forward, enhanced responsible investing practices will become more mainstream.

Risk management will always be important. The Board adopted the new *Canadian Institute of Chartered Accountants* (CICA) section 5970 reporting requirements for service organizations and decided to implement the changes a year ahead of CICA's mandatory start date. This is testament to the Board's commitment to ensuring that internal controls are in place and effectively managed. Our oversight was further strengthened by the appointment of an Internal Auditor, who reports functionally to the Board. Other highlights of the year included the approval of Environmental and Legal Risk Management Frameworks.

Governance continues to be a central theme, and while pages 30 – 33 set out the Board's activities for the year, two achievements deserve to be mentioned. Firstly, 2005 saw a change in bcIMC's auditors. After five years with our previous auditors, and in the interests of bcIMC and our clients, we called for tenders and awarded the contract to KPMG. Secondly, we compared our governance practices with national standards and our peers, and as a result, undertook to enhance our disclosure in line with the National Instrument 58-101 (see Glossary). More information is now available on the bcIMC website.

In 2005, we bid goodbye to Dr. Bruce Kennedy who served the Board well. We thank him for his important contribution to bcIMC's governance. In his place, we welcomed Mr. John Wilson and we look forward to his input into Board activities.

On behalf of the Board, I would like to thank all bcIMC clients for their continued support, and the management and staff for their contribution throughout the year.



Chris Trumpy

Chair

Report from the CEO/CIO

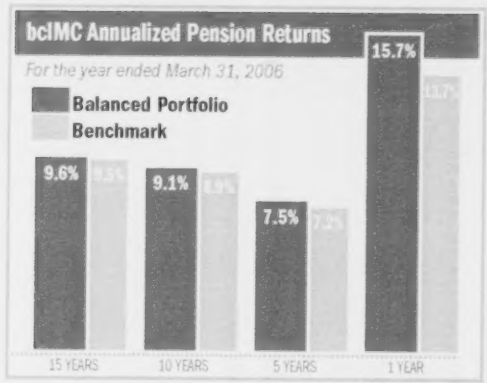
This was an outstanding year for bcIMC and our clients. On the investment front, we exceeded our benchmark returns by two percentage points, representing over $1 billion in added value for our pension clients. It was also a year in which bcIMC initiated new investments with strategic partners that will serve our clients' long-term interests.

INVESTMENT RETURNS

As expected, 2005-2006 saw rising short-term interest rates. However, long-term interest rates failed to respond to increases in short-term rates, resulting in a flattening of the yield curve for the year ended March 31, 2006. The sharp increase in energy and commodity prices was largely unexpected. While the world economy seemed to shrug off the impact of these higher prices, Canada enjoyed an influx of capital seeking opportunity in the energy and materials sectors. As a result, the TSX rose almost 29 percent for the year ended March 31, 2006. This investment inflow boosted the Canadian dollar but reduced returns from foreign investments, notably in the U.S. where equity markets under-performed in Canadian dollar terms. The Japanese stock market also rose significantly over the year after many years of lacklustre performance.

Report from the CEO/CIO

For the year, the combined pension client return was 15.7 percent versus a benchmark return of 13.7 percent. This was an added value of 200 basis points relative to the combined benchmark. This performance was achieved through our tactical asset allocation decisions to overweight Canadian and non-North American stocks, and hedge a portion of our clients' U.S. assets.



Buoyed by favourable economic conditions and the popularity of real estate for investors seeking higher returns, our real estate portfolio return exceeded its benchmark by 17.8 percentage points. Many of our early international real estate investments have now reached the mature investment stage, and most returns are quite favourable in local currency terms. In the future, we expect the growth in real estate markets to cool as interest rates increase, causing prices to level off.

Our mortgage asset class also produced strong returns for the year, with all three funds exceeding their benchmarks. Narrowing credit spreads, improving "risk ratings" on seasoned loans, and extremely low mortgage arrears contributed to the positive performance. Like real estate, the competition for mortgage investments from institutional investors such as banks, life insurance companies, and other pension plans has intensified. This is a challenge that these asset classes will have to address as long as demand for real estate and mortgages stays at its current levels.

Investments in private placements have a higher risk-reward profile and allow clients to increase investment returns. During the year, we distributed over $307 million to clients participating in this program. Given our positive outlook for this asset class, we committed $1.3 billion to new private placement investments.

Our strategic investments and infrastructure program, established in 2002, allows bcIMC to invest in tangible assets that generate strong cashflows that are ideally suited to our clients' long-term objectives. This year saw the continued expansion of this program with over $807 million of new investments within B.C., other parts of Canada, and Europe.

Looking forward, the cumulative effect of higher interest rates and energy prices will probably slow economic growth in the second half of 2006. A reduction of the U.S. current account deficit will result in the U.S. economy growing more slowly than the rest of the world, and a further depreciation of the U.S. dollar. The timing is uncertain, but this is expected to continue in 2006.

Report from the CEO/CIO

RISK MANAGEMENT

Risk management continues to be a key priority and underpins all aspects of our operations and investment management activities.

This year, we enhanced our enterprise-wide approach with the preparation of environmental and legal risk management frameworks. While managing environmental risk helps maintain the value of our clients' assets, it has the added advantage of promoting good environmental stewardship. Our Environmental Risk Policy ensures that bcIMC is committed to taking all practical and reasonable steps to protect the environment.

Given the numerous transactions concluded each year, legal risk is something that cannot be ignored. With our Legal Risk Framework, we identified the broad categories of risk that require scrutiny, as well as the need for our staff to remain informed of all legal requirements and implications.

Managing risk is not restricted to our investments; it also includes bcIMC's preparation for unpredictable events such as pandemics or earthquakes that could threaten our operations. The preparation of a Pandemic Response Plan allowed staff to consider possible scenarios and identify contingency plans that could be implemented depending on the severity of the pandemic. In addition, bcIMC now has arrangements that allow the duplication of corporate data at specialized off-site facilities, and fall-back measures to recover and use lost or damaged data and systems.

bcIMC has also seen changes on the auditing front. These include the appointment of KPMG as our auditors. Their mandate requires them to audit our corporate financial statements and report on our internal controls in accordance with the new requirements of CICA handbook, section 5970. These new standards ensure a more stringent review of our financial controls and systems. Finally, the new position of Internal Auditor will provide the Board with independent reports on bcIMC's risks and operations.

RESPONSIBLE INVESTING

Our fiduciary obligations to our clients remain at the forefront of our minds, and we are committed to exploring new approaches that will further our clients' financial best interests. This includes having a heightened awareness of environmental, social, and governance issues. bcIMC's Board and many of our clients support our efforts to broaden our responsible investing activities.

Our responsibility starts with our extensive proxy voting and engagement process. In the last year, we voted on 5,267 resolutions for our Canadian, U.S., and international public equity holdings. We believe that thoughtful voting strengthens responsible investing and improves investor returns. We also engaged with approximately 60 companies on issues and risks linked to governance, the environment, and other matters.

bcIMC also participates in industry organizations that promote responsible investing and governance.

Report from the CEO/CIO

The exchange of information and experiences with other organizations improves our understanding and allows us to benchmark our activities against our peers. During the year, bcIMC joined the Investor Network on Climate Risk, the United Nations Environmental Programme Finance Initiative and participated in the 4th Carbon Disclosure Project.

Responsibility also extends to our other asset classes. Mortgages and Real Estate are increasingly involved with LEED® (Leadership in Environmental and Energy Design) certified developments, and Private Placements committed U.S.$30 million funds to a renewable energy infrastructure fund.

BUILDING BCIMC

To meet our clients' expectations, bcIMC must be skilled, energetic, and service-oriented.

With the increasing complexity of our clients' mandates and the increase in assets under administration, bcIMC is growing. This year we expanded our staff complement and we will continue to grow in 2006-2007. Our expansion includes the creation of new positions that will allow us to better serve our clients' needs. The recruitment of skilled and professional staff will remain a challenge for bcIMC.

Client servicing also requires an effective client servicing strategy. At a strategic retreat, we shared experiences with our peers and reviewed our existing client servicing strategy. While some recommendations, such as the provision of audio and web conferencing facilities, are already in operation, others will be implemented in the next fiscal year.

bcIMC is highly dependent on its information technology. This year, we rationalized our existing IT infrastructure to support business processes. Our efforts included the expansion of the trade order management system, and the automation of the reconciliation of financial transactions. We also completed the roll-out of software that enhances the support for the analysis and reporting of private equity investments. And as always, the protection and security of our information and systems remained a priority.

At the executive level, we welcomed Lincoln Webb, VP Private Placements, Paul Flanagan, VP Fixed Income, and David Woodward, VP Finance and Operations to the team; each brings a wealth of experience to the table. While bcIMC has many new faces, we also said good-bye to some familiar faces. Dave Thom, VP Fixed Income (33 years service), Lynne Ronneseth, VP Finance and Operations (almost three years service), and Bob Kennedy, Portfolio Manager (seven years service) retired in March. Their contribution to bcIMC will be missed, and I wish them success with their new adventures.

In closing, I wish to acknowledge the support of my Board, our clients and the bcIMC team. We look forward to meeting the challenges of 2006-2007.

Doug Pearce

Chief Executive Officer
Chief Investment Officer

Our Key Objectives and Achievements

We measure our performance against the strategic objectives of our three-year Service Plan.

Objective 1: Meet or exceed our clients' investment return expectations.

Achievements:

- The combined pension client return was 15.7 percent compared to the benchmark return of 13.7 percent.
- Realpool produced strong one year returns of 24 percent exceeding its benchmark by 17.8 percentage points.
- Our Construction Mortgage Fund returned 6.4 percent compared to a benchmark of 3.7 percent.
- Our Active European Fund was repositioned and returned 20.4 percent compared to a benchmark of 16.3 percent.
- We expanded the Strategic Infrastructure and Investment Pool by capitalizing on several private and public deals.
- We expanded the Currency Overlay Pool by $400 million *(notional value)*.
- Our Currency Hedging Program increased to $3.2 billion *(notional value)*.
- We brought the management of the U.S. Enhanced Equity Pool in-house.

NOTE: A complete table of our pooled fund returns appears on pages 14-15.

Objective 2: Review and enhance enterprise-wide risk management.

Achievements:

- The completion of the Environmental Risk Management Policy and Framework that allows for better management of environmental risks.
- The preparation of a Legal Risk Management Policy and Framework.
- Quarterly reports for Operational Risk are now provided to the Board extranet for the Directors' review and oversight.
- The introduction of a Mortgage Exposure System allows us to track and monitor our exposure to individual tenants and specific industry sectors.
- We successfully tested our business continuity procedures throughout the year ensuring core business functions are sustainable from alternate work-sites.
- We engaged in the preparation of a pandemic response plan to provide bcIMC with a graduated and flexible response to a global pandemic event which threatens continued investment functions.
- We recruited an Internal Auditor who will evaluate our risk management and governance processes, and suggest where improvements can be made.

Our Key Objectives and Achievements

Objective 3: Enhance business leadership capacity.

Achievements:

- The preparation of a corporate Succession Plan is ongoing.
- We extended Leadership Assessment and Development opportunities to senior staff.
- We continued to support the professional development and certification of our staff.
- We implemented a Corporate Apprenticeship Program that allows for a one year rotation of apprentices through selected asset classes and core departments.
- We promoted and encouraged internal development opportunities by facilitating noon-hour sessions and discussions with staff.

Objective 4: Refine and enhance information technology infrastructure and processes.

Achievements:

- We extended the trade order management system used for processing equity transactions to the Fixed Income group. This will provide for improved controls and auditing of trading operations.
- Work is progressing on automating the reconciliation of financial transactions, security holdings and balances; once completed this will improve operational efficiency and reduce operational risk.
- New software is now in place to support the analysis and reporting of private equity investments.
- The Real Estate data warehouse now captures additional financial and operational data to improve financial reporting.
- Audio and web conferencing services are now available for use within bcIMC.
- Comprehensive IT Security enhancements were incorporated into bcIMC's IT infrastructure. Adequate protection through anti-virus systems, system security patches and network management tools is a high priority for bcIMC.

Objective 5: Develop client relationships, enhance service and share information.

Achievements:

- In response to client requests, our reports now include discussion on our activities in matters that affect the environment, corporate governance, and society in general.
- We held a client service strategy session with leading fund managers and will use the results in the preparation of a Client Services Strategy.
- Our education program continued to support client trustees by providing seminars and reference material.
- We played an active role in the B.C. Public Sector Pension Conference and hosted a reception that introduced trustees to our asset classes and portfolio managers.
- A number of clients increased the size of their mandates with bcIMC.
- We improved communication with our clients by providing more information on our clients' extranets.

Our Key Objectives and Achievements

OBJECTIVE 6: LEADERSHIP IN IMPROVING CORPORATE GOVERNANCE STANDARDS.

Achievements:

- bcIMC's CEO/CIO Doug Pearce was named Chair of the Canadian Coalition for Good Governance.
- We began reporting quarterly to our clients on our environmental, social, and corporate governance engagement.
- We enhanced the public disclosure of our Canadian, U.S., and international proxy voting activity. Our complete proxy record, updated quarterly, can be found at www.bcimc.com.
- We joined three new investor coalitions: the Carbon Disclosure Project, the Investor Network on Climate Risk, and the United Nations Environmental Programme Finance Initiative.
- We ensured a higher level of corporate governance by opting out of the new S&P/TSX Composite Index which as of December 2005 included income trust securities. In our opinion, on balance income trust securities have a lower

Pooled Fund Annualized Returns ($) and Benchmarks (%) – Fixed Income, Periods Ended March 31, 2006

		15 YEARS	10 YEARS	5 YEARS	3 YEARS	1 YEAR
SHORT TERM	Short Term Fund 1	4.7	3.7	2.8	2.6	2.9
	SCI 30 Day T-Bill	4.5	3.6	2.8	2.6	2.8
	Short Term Fund 2	5.0	4.0	3.0	2.7	2.9
	SCI 90 Day T-Bill	4.7	3.7	2.9	2.7	2.8
	Short Term U.S. Fund 3	4.2	2.4	(3.8)	(5.4)	0.1
	Citigroup 30 Day T-Bill	3.7	1.9	(3.9)	(5.6)	(0.2)
	Short Term Bond Fund		6.0	5.1	4.3	2.3
	SCI Short Term Government Bond	7.2	5.9	5.0	4.2	2.2
MORTGAGES	Fixed Term Mortgage Fund		8.0	7.3	6.8	5.6
	SCI Short Term Bond + 1%		7.1	6.3	5.5	3.3
	Construction Mortgage Fund		7.0	5.9	6.1	6.4
	SCI 1 Year T-Bill + 1%		5.3	4.5	4.1	3.7
	Specialty Mortgage Fund			8.8	8.5	6.6
	SCI 1 Year T-Bill + 2.5%		6.9	6.1	5.6	5.2
BONDS	Indexed Government Bond Fund		7.7	6.9	6.8	5.0
	SCI Universe Government Bond	8.8	7.6	6.8	6.7	4.9
	Pension Bond Fund		7.8	7.1	7.0	5.2
	SCI Universe Government Bond	8.8	7.6	6.8	6.7	4.9
	Long Term Bond Fund			9.7	10.8	10.0
	SCI Long Term Government Bond	10.9	10.2	9.4	10.4	9.6
	Corporate High Grade Bond Fund		8.1	7.4	7.1	4.7
	SCI Universe Corporate Bond	9.3	8.0	7.3	7.4	4.6
	Corporate Investment Grade Bond Fund					4.7
	SCI Universe Corporate Bond	9.3	8.0	7.3	7.4	4.6
SINKING FUNDS	BC Hydro Sinking Fund		7.6	7.3	7.2	5.7
	BC Hydro Sinking Fund Benchmark		7.2	7.1	7.0	5.6
	BCBC Sinking Fund		7.9	6.9	6.5	4.7
	BCBC Sinking Fund Benchmark		8.1	7.0	6.5	4.7
	BC Direct Debt Sinking Fund [1]			7.3	7.3	5.5
	BC Direct Debt Sinking Fund Benchmark [1]			7.4	7.3	5.3

[1] The holdings in the Schools and Education Bond Funds were transferred to the BC Direct Bond Fund on May 31, 2002. Historical numbers have been restated to reflect the combined portfolios.
NOTE: Benchmarks are presented in brown. Actual pooled fund returns, net of costs, are in black.

Our Key Objectives and Achievements

Pooled Fund Annualized Returns ($) and Benchmarks (%) – Equities and Real Estate, Periods Ended March 31, 2006

		15 YEARS	10 YEARS	5 YEARS	3 YEARS	1 YEAR
CANADIAN EQUITIES	Indexed Canadian Equity Fund	10.8	11.6	12.1	26.4	28.4
	S&P/TSX Equity[1]	10.9	11.2	11.8	26.4	28.7
	Enhanced Canadian Equity Fund				27.3	28.7
	S&P/TSX Equity[1]	10.9	11.2	11.8	26.4	28.7
	Active Canadian Equity Fund	12.0	12.8	13.1	26.0	24.4
	S&P/TSX Capped Equity[1]	11.3	11.7	11.8	26.4	28.7
U.S. EQUITIES	S&P 500 Equity Fund		7.4	(2.1)	8.6	7.8
	S&P 500	10.9	7.3	(2.1)	8.6	7.8
	U.S. Value Index Fund *			0.3	15.0	10.8
	S&P/Citigroup Value	11.5	7.7	(1.0)	13.0	11.3
	Enhanced Indexed U.S. Equity Fund			(2.2)	9.1	8.9
	Russell 1000/S&P 500	11.1	7.4	(1.6)	9.1	7.8
	Active U.S. Equity Fund		7.4	(0.3)	10.7	11.6
	Russell 1000	11.2	7.5	(1.4)	9.6	9.2
	Russell 2000	12.1	8.5	6.0	20.0	21.4
INTERNATIONAL EQUITIES	Indexed European Fund					16.5
	Active European Fund					20.4
	Combined European			2.5	20.7	18.2
	MSCI Europe Net	10.6	8.4	3.1	21.0	16.3
	Indexed EAFE Fund					20.3
	Active EAFE Fund					19.2
	Combined EAFE			3.6	20.7	19.7
	MSCI EAFE Net	7.2	4.9	3.3	21.4	20.0
	Asian Fund			7.0	25.0	30.9
	MSCI Pacific Net	3.1	0.1	3.7	21.9	28.3
REAL ESTATE	Realpool		11.7	11.3	14.6	24.0
	CPI + 4%	5.9	6.1	6.3	5.7	6.2

Due to their illiquid nature, the annualized performance of bcIMC's private placement, international real estate, and strategic investments and infrastructure pooled funds is excluded as year-by-year performance returns can be misleading. To be assessed correctly, performance of these assets must be measured over the life of the respective fund.

corporate governance standard. External managers in the Active and Enhanced Canadian equity pools were permitted to purchase selective income trusts on an opportunistic basis.

OBJECTIVE 7: MAINTAIN A COMPETITIVE COST BASE.

Achievements:

- bcIMC's costs were 18.5 cents per $100 of assets under administration and we continued to provide our clients with value-added services.
- We finalized the preparation for in-house mortgage servicing – an activity that will realize significant savings.
- The elimination of the Part XI Tax on Foreign Property has resulted in significant savings in bcIMC's legal costs.

[1] As of December 19, 2005 the S&P/TSX Composite Index expanded to include income trusts. Clients opted to keep their original benchmark and adopted the S&P/TSX Equity Index, which excludes income trusts, as their Canadian equity benchmark.
*The benchmark for the U.S. Value Index Fund changed from the S&P/ Barra Value Index to the S&P/Citigroup Value Index on January 1, 2006. The one-year 11.3% index return is a combination of two index returns.
NOTE: Benchmarks are presented in brown. Actual pooled fund returns, net of costs, are in black.

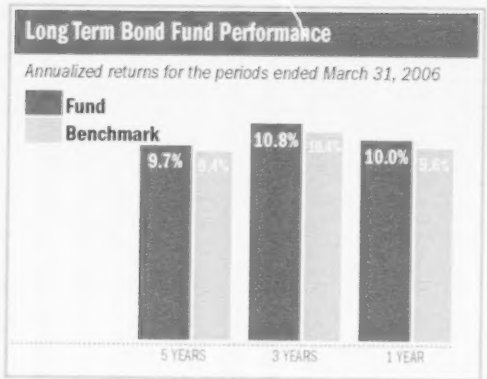
Investment Performance

FIXED INCOME AND FOREIGN CURRENCY

Fixed income securities provide predictable cash flows and tend to offset the volatility of equities. Having greater certainty of income, they are a core element of any diversified portfolio.

In general, short-term interest rates trended higher during 2005-2006, led primarily by central bank tightening of monetary policy. During the same period, longer-term rates remained relatively stable as foreign central banks used excess U.S. dollar reserves to buy longer-term bonds in the U.S. and Canada. These two factors caused the yield curve to undergo a dramatic flattening to the point where yields on two-year bonds were roughly equivalent to those of 10- and 30-year bonds. In the U.S. Treasury market, the yield curve inverted and two-year bonds had higher yields than 10- and 30- year bonds.

Our policy framework requires that bcIMC owns all fixed income investments, and does not permit the short sale of any positions. Within this context, our Fixed Income investment performance achieved sound results, generally earning returns in excess of benchmark targets. Returns were the result of opportunistic underweighting in shorter-maturity bonds versus an overweighting in longer-maturity bonds by our portfolio managers, in anticipation of the yield curve flattening. This positioning occurred while staying close to the mandated portfolio benchmark duration target.



bcIMC continually assesses opportunities to increase the return potential of our clients' assets. As an example, preparations for the realignment of various existing government and corporate bond pools under the Universe Bond Fund mandate were completed in 2005-2006 and will be implemented in 2006. Transitions like this allow bcIMC to provide more effective portfolio management without increased risk, while offering the potential for greater returns.

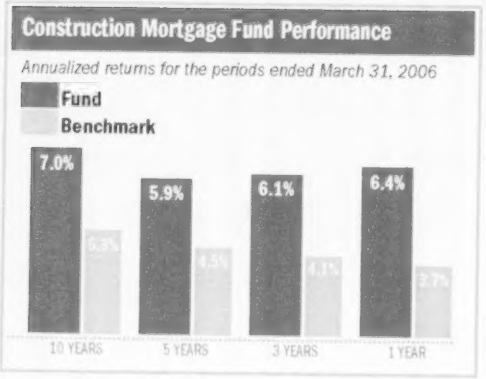
Currency management was a major focus for the year. The externally-managed Currency Overlay Program grew by $400 million *(notional value)* to $2.2 billion *(notional value)*, and an additional manager was hired. The internally managed Currency Hedging Program with a heavy emphasis on the U.S. dollar increased to $3.2 billion *(notional value)*.

Another significant event was the incorporation of the WorkSafeBC fixed income portfolio. The inclusion of this portfolio added $4.2 billion to bcIMC's assets under management.

MORTGAGES

Institutional investors favour commercial mortgages as they provide stable and predictable cash flows with superior returns to government bonds of similar duration, although with reduced liquidity and greater credit risk.

Investment Performance



bcIMC has three mortgage funds that are diversified by loan type, geography, and product type, giving investors a choice by liquidity, duration, and risk-return expectations. The past year was challenging, characterized by increased competition from institutional investors, narrow spreads, increased construction costs, and commercial capitalization rates at historic lows. Greater use of unsecured debentures allowed large pension funds and Real Estate Income Trusts (REIT) to replace mortgage debt with lower-cost debenture debt, essentially reducing the supply of Canadian mortgage products. However, inflated real estate values and low mortgage rates increased the average mortgage size, counteracting the debenture effect.

Canadian commercial real estate remains strong. Low vacancy rates in retail, industrial, multi-family residential properties, and office markets have increased rental rates in certain markets. As a result, investors have driven commercial capitalization rates to historic lows.

Within this environment, bcIMC committed a record $915 million in commercial mortgage investments, an increase of $315 million from the previous year. The Fixed Term Mortgage Fund, Construction Mortgage Fund and Specialty Mortgage Fund had annualized returns of 5.6 percent, 6.4 percent and 6.6 percent respectively; all significantly exceeded their benchmarks. Performance was primarily due to narrowing credit spreads, improved "risk ratings" on seasoned loans, and low mortgage arrears.

PUBLIC EQUITIES

Equities offer higher long-term returns than fixed income securities, but at a cost of greater short-term price volatility.

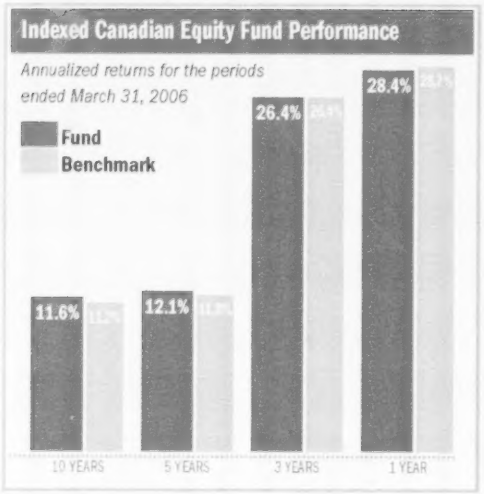
bcIMC has 13 public equity pooled portfolios that are diversified by geographic markets and investment style. Seven of these pools, representing approximately 53 percent of public equity assets, are managed entirely by bcIMC staff. Five public equity pools use the investment services of 20 external private sector managers, under contract to bcIMC. One pool is jointly managed by bcIMC staff and external managers.

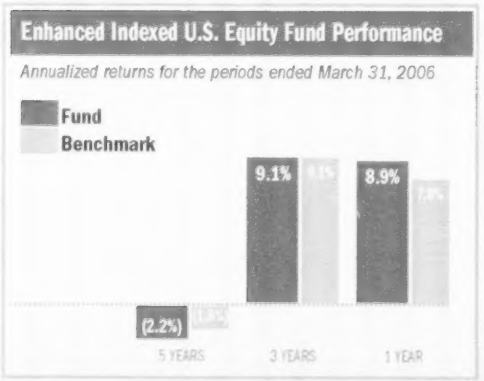
The year was characterized by strong returns across all markets, with energy dominating the returns and headlines. Forecasts of continued strong demand from China, India, and other emerging markets, coupled with concerns over future energy supplies, helped to raise prices to new levels. In the U.S., these forces were compounded by the impact of hurricanes that crippled a significant amount of U.S. refining capacity, driving oil and gasoline prices to all-time highs. In this environment, and with significant energy weighting, the Canadian market performed well.

It was also a strong year for Japan and Europe. After a vote in favour of reform in Japan in the September 2005 elections, the Japanese equity market strongly rallied, gaining around 40 percent

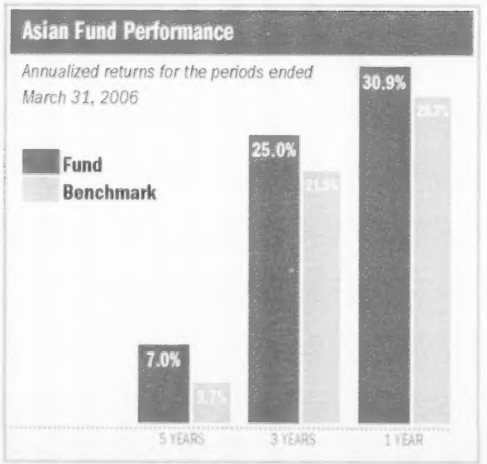
Investment Performance

in just three months. Consumer price increases have heralded the end of the deflationary period in Japan. European markets were also strong with companies aggressively restructuring, renegotiating labour agreements, outsourcing, and moving operations. The admission to the European Union of countries in Eastern Europe opened up a readily available, well-educated and inexpensive supply of workers.





2005-2006 was the first full year of bcIMC's internal management of the Enhanced Indexed U.S. Fund. This fund is based on a model developed by bcIMC and complements the Enhanced Canadian Equity Fund that was added last year. Both funds delivered returns at a lower cost than external managers; on a one-year basis, the U.S. Enhanced Index Fund outperformed its benchmark by 1.1 percentage points, and the Enhanced Canadian Equity Fund met its benchmark.



In Canada, the Indexed Canadian Equity Fund (28.4 percent) and the Active Canadian Equity Fund (24.4 percent) underperformed their benchmarks. The other U.S. products, the S&P 500 Equity Fund, and Enhanced Indexed U.S. Equity Fund met their benchmarks, and the Active U.S. Equity Fund outperformed. On the international front, the restructured Active European Fund outperformed its benchmark by 4.1 percentage points, and the Asian Fund outperformed its benchmark by 2.6 percentage points.

PRIVATE PLACEMENTS

Private placements are investments in equity, debt, or hybrid securities of private companies and, in some cases, public companies. Capital is used for new business start-ups, the expansion of existing companies, the restructuring of firms, and the support of ownership change for more mature businesses. Investments are global in nature.

Investment Performance

These investments require active knowledge of the financial markets, regional, and country economies, as well as in-depth knowledge of industry sectors, specific firms, and products. A significant portion of bcIMC's private placement investments are made through limited partnership funds managed by external general partners. Through these partnerships, we are able to efficiently leverage, on a global basis, considerable outside expertise and knowledge to assist our investment sourcing and evaluation. bcIMC currently has relationships with 58 general partners, is invested in 109 funds, and holds 10 investments directly.

Private placements represent opportunities for clients to increase investment returns, as they typically have a higher risk-reward profile than other traditional asset classes and provide diversification benefits. Client risk is managed by diversifying investments geographically and by stage in the investment cycle. It takes several years to realize private placement total returns. In the early years, interim returns are low or negative as management expenses are incurred in selecting investments, completing due diligence, and negotiating investment terms. Positive returns are generated as investments mature and are sold.

Geographic Distribution of Private Placements

as at March 31, 2006

Canada	30.9%
U.S.	27.3%
Europe	21.0%
Asia	14.9%
Emerging Markets	5.9%

In 2005-2006, bcIMC committed $1.3 billion to new private placement investments. For example:

- We continued our long-standing relationship with two premier European investment managers – Cinven and Advent International. Cinven's fourth private equity fund will focus on investments in large established European companies. Advent, with whom bcIMC has been investing since 1993, will continue to focus on both growing and mature mid-size European and North American companies in their new fund; and
- Globally, we committed to TPG 5, continuing our existing relationship with the Texas Pacific Group. In addition, we made new commitments to Apollo Overseas Partners VI and Blackstone Capital Partners V. These managers will focus on investments in large established U.S. and non-U.S. companies.

During the year, bcIMC distributed $307 million to clients participating in the Private Placement program. Significant events included:

- In August 2005, a long-standing European general partner sold an investment in an industrial electronics business. After completing their initial investment, our partner worked closely with company management to execute a business strategy that subsequently led to above-industry growth in sales, a return to operating profitability, and significant reduction of debt. The resulting improvement led to the sale of the company to new buyers for six times our original investment cost;
- Our investment in Japan Venture Fund III was fully realized in September 2005. The fund, established in 1997, invested ¥16.7 billion in a total of 17 Japanese companies. bcIMC is extremely pleased with the returns on this fund and our ongoing relationship with the manager, MKS Partners; and
- In October 2005, a general partner announced the sale of a large wholesale power generating company in the U.S. The investment, first made in early 2004, has generated a very attractive return to bcIMC and other investors in the fund.

Investment Performance

REAL ESTATE

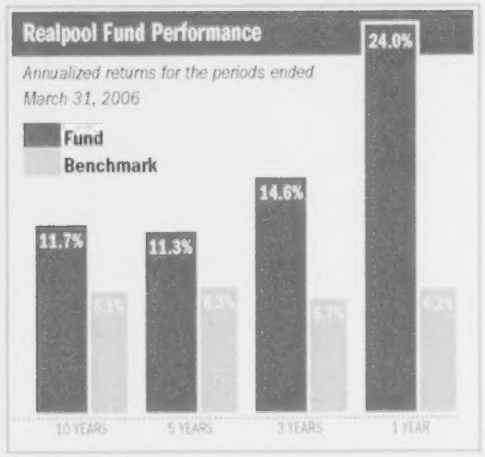
As an investment, real estate has risk-return attributes similar to bonds and equities. It has a fixed income component in the form of contractual rents and an equity component in the value of land and buildings.

Investors seeking higher yields than stocks and bonds continued to supply capital to real estate markets. With the introduction of Real Estate Investment Trust (REIT) vehicles, established REIT markets continued to see strong investor demand. On the supply side, markets were disciplined in the supply of new products. The mismatch between supply and demand led to a continuation of the yield compression trend across global markets. The Canadian market experienced another year of strong investor demand, and capitalization rates (i.e. income yields) on institutional quality commercial properties continued to decline; portfolios of such properties are attracting premium prices.

bcIMC's portfolio is broadly diversified geographically across Canada, as well as across Asia, Europe, Mexico and the United States. bcIMC directly owns approximately 39 million square feet of rentable office, industrial and retail space, and 13,086 residential units.

Domestic real estate had a good year with a 24 percent return. Office was the strongest performing property type (20.2 percent), followed by industrial (19.5 percent), residential (13.9 percent), and retail (13.3 percent). Our office portfolio benefited from market factors driven by the limited availability of office space in downtown Calgary, Toronto and Vancouver. bcIMC's development of Livingston Place, a two-tower, 840,000 square foot office complex in downtown Calgary, is a strategic move to take advantage of the strong market. This development is completely pre-leased and scheduled for occupancy in spring 2007.

In 2005, bcIMC acquired seven Canadian properties totalling $862.6 million, five of which consist of retail or industrial properties and allow for further portfolio diversification. A notable purchase was



the Menkes industrial portfolio in the Greater Toronto Area totalling approximately 4.9 million square feet of space which includes 65 industrial and eight office buildings.

bcIMC's domestic real estate was the recipient of a number of awards. The Building Owners and Managers Association (BOMA) gave three National Awards to bcIMC properties, namely the Western Canadian Place (Calgary), Allstate Corporate Centre (Markham), and the Hatch Building (Mississauga). The awards recognize excellence in property management, resource

Investment Performance

conservation, environmental awareness, building design, and customer service. BP Centre (Calgary) was awarded the BOMA Go Green Environmental Certification in recognition of its achievement in five key environmental areas. bcIMC was also presented the Award of Merit for Architectural Innovation and Execution for the Microsoft Building at the Mississauga Urban Design Awards.

In 2005-2006, our international real estate portfolio acquired an additional four investments, representing over half the total commitments of this portfolio. Investments included:

- An acquisition of a portfolio of 21 industrial buildings in Juarez, Mexico with 1.5 million square feet of net rentable space;
- A commitment to an investment with LaSalle Investment Management to acquire retail properties in Germany;
- An investment with Doughty Hanson in the Pan-European Fund that offers a diversified portfolio of real estate assets in European countries, such as Italy, France, Germany and the United Kingdom; and
- An investment with the LaSalle French Fund that includes offices, logistics, light industrial and retail space in major French cities.

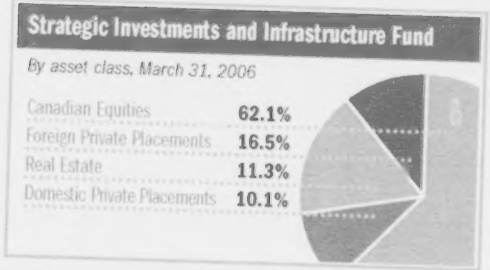
STRATEGIC INVESTMENTS AND INFRASTRUCTURE

bcIMC pursues opportunities in strategic investments and infrastructure to acquire tangible assets with the potential for strong returns, cash flows, and favourable risk-return characteristics.

These investments focus on strategic assets such as energy, infrastructure, and transportation, and cut across asset classes. Investments may include publicly traded securities or privately held investments.

In 2005-2006, new investments by bcIMC totalled $807.1 million, including:

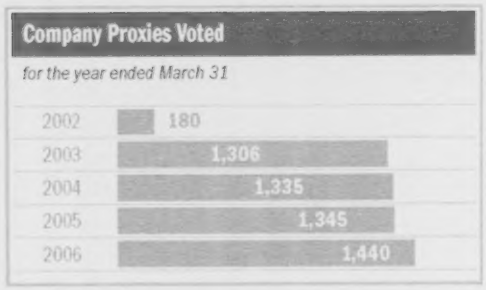
- The Canada Line, a public-private partnership to build, operate, and maintain a rapid transit line over a 35 year period in Vancouver, British Columbia. Project Finance International named this project the 2005 Infrastructure Deal of the Year for the Americas;
- AIG Intergen, which holds a diversified portfolio of power plants located in the U.K., the Netherlands, Mexico, Philippines, China, and Australia;
- ArcLight Energy Partners, a fund focused on building a diversified portfolio in the power and energy industry in North America and Europe;
- A position in the forestry industry with the acquisition of an interest in a limited partnership which holds private forest land, as well as investments in several lumber companies that focus their production on the U.S. and Asia; and
- Energy companies with access to vast reserves of oil and gas.


Strategic Investments and Infrastructure Fund
By asset class, March 31, 2006
Canadian Equities 62.1%
Foreign Private Placements 16.5%
Real Estate 11.3%
Domestic Private Placements 10.1%

Corporate Governance: bcIMC as an Investor

2005-2006 was a very busy and successful year. bcIMC continued to be an active owner on behalf of our clients on a wide range of corporate governance, environmental and social issues. Our actions are based on the belief that responsible corporate policies with respect to environmental, social and governance (ESG) factors can enhance corporate financial performance and long-term investment returns.

For investors like bcIMC that employ index management strategies, shareholder engagement is an effective tool to encourage good ESG policies without limiting investment choices.



Last year, bcIMC corresponded or met with approximately 60 companies on a range of issues and risks associated with ESG. We were generally pleased with responses from directors and management on recommended improvements to director election processes, incentive compensation plans, disclosure, and employment practices. We also worked with the Canadian Coalition for Good Governance (CCGG), chaired by our CEO/CIO Doug Pearce, canvassing the chairs of Canada's largest companies for the adoption of a majority voting standard for their director elections. This campaign was successful in encouraging reform.

In addition, bcIMC participated in the 4th Carbon Disclosure Project alongside a global group of institutional investors with assets of $31 trillion under management. Participants in the Carbon Disclosure Project wrote to 1,800 of the largest quoted companies in the world, seeking the disclosure of investment-relevant information concerning their greenhouse gas emissions.

As well as supporting the CCGG and the Carbon Disclosure Project, bcIMC exchanges information and pools resources with other organizations, leading to coordinated action on ESG issues. These organizations include the Asian Corporate Governance Association, the International Corporate Governance Network, the Investor Network on Climate Risk, and the United Nations Environmental Programme Finance Initiative.

Corporate Governance: bcIMC as an Investor

Direct company engagement and collaborating with like-minded investors are not the only ways bcIMC promotes high ESG standards. We also cast proxy votes on 5,267 resolutions at 1,440 shareholder meetings last year. We voted against management 33 percent of the time, when we felt the resolution could negatively affect the interests of shareholders and long-term company value. We supported more than 50 environmental and social resolutions when we were of the opinion that the request would promote good corporate citizenship while enhancing long-term shareholder value. These resolutions were wide-ranging and included requests for reports on foreign outsourcing and political contributions, the elimination of animal testing and sales of genetically engineered foods, and the development of alternative energy sources.

bcIMC's *Corporate Governance and Proxy Voting Guidelines* and our global voting record can be found at www.bcimc.com. Looking ahead to 2006-2007, we intend to undertake a comprehensive review of our Guidelines and institute changes where necessary to promote good ESG policies in the companies our clients own. We also plan to expand website disclosure of our ESG engagement principles and initiatives.

2005–2006 Proxy Votes by Category

Vote Results by Issue Category, April 1, 2005 to March 31, 2006

Issue	TOTAL	VOTE FOR	VOTE AGAINST
Board of Directors	1,516	1,143 (75%)	373 (25%)
Shareholder Rights	1,502	1,038 (69%)	464 (31%)
Auditor	1,158	1,046 (90%)	112 (10%)
Executive Compensation	897	222 (25%)	675 (75%)
Environment and Social Responsibility	156	53 (34%)	103 (66%)
Takeover Protection	38	32 (84%)	6 (16%)
Total	5,267	3,534 (67%)	1,733 (33%)

The Framework for Effective Investment Decisions and Operations

Management and staff turn vision into reality.

STRATEGIC FRAMEWORK

bcIMC operates under the provision of the B.C. *Public Sector Pension Plans Act* and is mandated to provide funds management services, for funds placed with the Corporation.

Under the direction of the Board, management prepares a three-year Service Plan that outlines the strategic objectives and activities for the future and ensures the Corporation continues to provide value added services. Each year, we invite our clients to provide input into the strategic process and suggest where improvements or advancements can be made. This process guides the preparation of our annual budget. In the spirit of transparency and accountability, we post the Service Plan on our website at www.bcimc.com.

CODE OF CONDUCT

Our Service Plan highlights the values and principles that guide the investment activity and operations of bcIMC. To encourage respect for our values and steer staff in their actions, bcIMC has a Code of Conduct that clarifies the standards of conduct and professional ethics required of all staff. This year, more specific guidance was added to clarify the steps an employee should take to report concerns about colleagues or senior management. Each year, bcIMC staff confirm their understanding and compliance with the Code of Conduct and acknowledge any amendments made.

INVESTMENT POLICIES

bcIMC operates over 40 pooled investment portfolios, the majority of which are open to our clients on a regular basis. Our Pooled Fund Investment Policies address matters such as investment guidelines, timing, return calculations, and accounting policy, providing a broad framework within which investment decisions are made.

The Framework for Effective Investment Decisions and Operations

To ensure our policies remain current, we have started a comprehensive review of all pooled fund policies that will be discussed with our Board and clients.

COST EFFICIENCY

Being a cost-effective corporation is one of our operating principles. The size of assets under administration and the pooling of clients' assets offer economies of scale that contribute to lower costs. This enables us to charge our clients low fees relative to our peer group. Our cost advantages (for example, by managing more funds internally) relative to our peer group derive from an efficient implementation style and from paying less for investment management.

For 2005-2006, our operating costs were 18.5 cents per $100 of assets under administration. According to independent studies by Cost Effectiveness Management Inc., our fees continue to be among the lowest per dollar of assets managed in the industry.

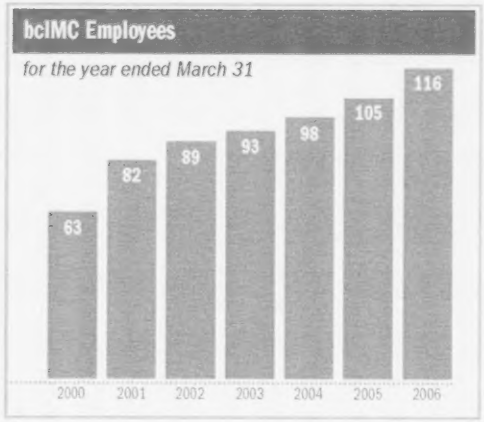
Some of our initiatives to improve investment processes also present opportunities to realize savings. In 2005-2006, bcIMC's Mortgage, Trade Management and Compliance, and Legal Affairs groups collaboratively prepared for the introduction of in-house mortgage servicing. While this initiative will enhance the processing of mortgages, it has an added advantage of realizing significant savings in fees and operational costs. This will be implemented in the coming year.

STAFFING

bcIMC believes that its true assets are its people. The success of the year's major projects and ongoing investment performance is made possible through the commitment of all staff. Our achievements are strengthened by their willingness to go beyond the call of duty to achieve bcIMC's goals.

Given the increasing complexity of the investment industry and our goal to constantly improve client servicing, we expanded our staff complement to 116 positions. New positions have been allocated to core departments and asset classes.

Recruitment of new employees involves a thorough interview process, a criminal record search, and a disclosure statement declaring that the individual has not been subject to disciplinary action by a securities commission or regulatory body.



Risk Management

The responsibility of every person, every day.

Risk management starts with good governance, and clear responsibilities and accountabilities of the Board and its committees, the CEO/CIO, senior management, and staff. bcIMC's mandate and the responsibilities of the Board and the CEO/CIO are outlined in the *Public Sector Pension Plans Act*. Each Board committee has a mandate that clearly outlines responsibilities and procedures, and the mandates may be viewed on our website. All staff have position descriptions, while the Service Plan clarifies the responsibilities of the CEO/CIO and Vice Presidents.

OUR RISK MANAGEMENT FRAMEWORK

Risk management underpins all aspects of our investment activities and operations.

Our framework has three perspectives – strategic, reputational, and enterprise-wide.

Strategic Risk: Although clients direct bcIMC on the types of investments and the asset allocations they wish to pursue, our Board and CEO/CIO also assist in the achievement of client investment goals. The Board does this by overseeing our policies, and the planning and achievement of corporate goals. The CEO/CIO is accountable to the Board and clients for decisions relating to investment strategies, investments pursued, and investment management styles.

Reputational Risk: The Board, CEO/CIO, and senior management monitor situations that could affect stakeholder or public perceptions. bcIMC staff also play a role in their interactions with clients, business partners, and others.

Enterprise Wide Risk: Our framework of policies and practices is designed to ensure that market, credit, legal, environmental, and operational risks are identified and effectively managed. Five Vice Presidents are designated as champions for these risk areas and have the responsibility of reviewing the policy framework and practices and ensuring the implementation of risk management measures.

Risk Management

bcIMC's RISK UNIVERSE

Managing market and credit risk is the core focus of our business. We believe that informed and knowledgeable professionals working with effective technology are essential in managing risk. Research into ways to measure and respond to market risk is done by our Consulting and Client Service group which forms bcIMC's policies, asset mix, and investment strategies of clients. Our Mortgages group enhanced its risk management system to track and monitor exposure to individual tenants and specific industry sectors. This complements similar initiatives undertaken by our Equity and Fixed Income groups that track our market value exposure to specific entities and sectors.

Our Fixed Income group manages credit risk through adherence to, and close monitoring of, counterparty credit ratings and related business information. We also maintain a diversified fixed income portfolio with limits on the amount of investment concentration in any one entity.

Many of our transactions have legal implications, and the management of legal risk is seen as a crucial factor of our Enterprise Risk Management framework. bcIMC's Legal Affairs group completed the preparation of a legal risk management framework that identifies broad categories of risk. Central to the effective management of legal risk is improved understanding and awareness of legal matters – an issue that will receive attention in the coming year.

Although the direct activities of bcIMC do not have a large environmental impact, environmental risks must be managed to prevent the erosion of asset values. The Board approved the bcIMC Environmental Risk Policy that states that we are committed to taking all practical and reasonable steps to protect the environment and to comply with all applicable environmental laws. This policy was communicated to our business partners who manage bcIMC properties. Prior to acquiring a real estate property or completing a mortgage investment, properties are assessed for evidence of contaminants or activities that would adversely affect the investment value. Post-acquisition, the use of the properties is monitored to ensure compliance with federal and local conservation and environmental legislation.

Our Finance and Operations group leads the implementation and oversight of our operational risk management policies and procedures with emphasis on maintaining a strong control environment. Our Operational Risk framework has been improved with the identification of core business issues that cut across the corporation and impact operational risk:

- human resources;
- information systems;
- product management;
- client relations;
- change management; and
- business continuation planning.

Risk Management

Management reports on the human resources and information systems risks were considered by the Board, and the remaining reports will be prepared in the forthcoming year.

Other operational risk initiatives for the year include the preparation of a Pandemic Response Plan. Staff provided input by considering the impact of various scenarios on our investment activities and operations. We completed a business continuation project to mitigate the risk of major damage to our information systems by events such as systems failures, earthquakes, storms, and other catastrophes. The project involved developing information technology solutions to duplicate bcIMC's corporate data and systems at secure off-site facilities with fall-back measures to recover and use lost or damaged data and systems.

OVERSIGHT OF OUR RISK MANAGEMENT ACTIVITIES

There is regular oversight by the Board and senior management of our risk management frameworks and activities.

The Board and the Audit Committee receive regular management reports on the risks facing bcIMC. Operational oversight is provided by the internal Risk Management Committee, comprised of the risk champions, and the committee meets on a quarterly basis to review the risk frameworks. In addition, each department provides the CEO/CIO with a quarterly risk report.

With the appointment of the Internal Auditor in 2005, bcIMC can look forward to strengthened internal oversight of our risks and controls. bcIMC has an Internal Audit Charter that outlines the responsibilities and scope of the function. The Internal Auditor reports to the Audit Committee.

EXTERNAL AUDITORS

During 2005, the bcIMC Board appointed KPMG as the new external auditors for the corporation. KPMG will audit and report on our financial statements in accordance with generally accepted audit standards and internal controls in accordance with the requirements of section 5970 of the CICA handbook.

Information and Communication

The right information at the right time.

Successful investment fund management depends on the quality and timeliness of information that our people have at hand. We believe that quality information supports our investment processes, and relationships with our clients.

In 2005-2006, the Information Technology group focused on rationalizing bcIMC's existing IT infrastructure to support business processes. Some initiatives, in providing increased information, have contributed to enhancing compliance and risk management. For example, the expansion of the trade order management system to include fixed income transactions allows for improved controls and auditing capabilities. Similarly, the automation of the reconciliation of financial transactions, security holdings, and balances, eliminates manual processes and increases the ability to produce more timely and accurate information for decision making and client reporting.

A new software package in the Private Placements group is providing greater support for the analysis and reporting of private equity investments. This software may also be used to assist in the management of international real estate investments. Improvements to the real estate data warehouse allow for the capture of additional financial and operating data, as well as improved reporting and cataloguing features. During the year, our Corporate Accounting group switched to RBC Financial Group's new RBC Express service that will be extended to meet our business' cash management needs.

While having readily available information is crucial to our business, its protection is equally important. IT security enhancements now allow for faster implementation of security patches, and enhanced protection from spyware and adware. System security remains a high priority for our IT group.

bcIMC is committed to transparency and accountability. We make a comprehensive effort to engage our clients and their governing fiduciaries on matters affecting their investment objectives. In addition to meetings, personal interaction, and discussions, our clients receive reports with updates on market trends, performance, corporate governance activities, and bcIMC's ongoing initiatives. Hard copies are provided to our clients, and electronic copies are posted to the extranet sites of our largest clients. In addition, the introduction of audio and web conferencing services now enhances our ability to interact with clients and business partners.

Investment and governance information is available at www.bcimc.com. On a quarterly basis, we post the investment returns for our pooled funds and our proxy voting activity, and on an annual basis, we publish an inventory of our investment holdings and financial statements for our pooled funds. Under the direction of the Board, bcIMC has increased its public disclosure of governance matters. Our website now contains the mandates of the Board Committees, the Directors' Code of Conduct, and the nomination criteria for future Directors.

We are also dedicated to assisting the governing fiduciaries in fulfilling their roles. Our Consulting and Client Services group hosts regular trustee education sessions that introduce investment concepts and principles. bcIMC also participated in the BC Public Sector Pension Conference, using the opportunity to profile the asset classes and key investment activities.

bcIMC Board Governance

GOVERNANCE FRAMEWORK

bcIMC is established under the authority of the B.C. *Public Sector Pension Plans Act* (the Act). The Board of Directors is responsible for ensuring bcIMC has appropriate controls and accountabilities in place and that the Corporation provides satisfactory results to its clients.

The Board is also required to authorize new pooled funds, to select and appoint the CEO/CIO and auditors, and to approve the business plan and annual budget, including fees and staff compensation. Investment professionals hired by bcIMC make all the investment decisions in accordance with policies established by the clients and approved by the Board.

Standing: **Sid Fattedad**, Chief Financial Officer, WorkSafeBC, appointed by the Minister of Finance, Member of the Human Resources and Compensation Committee; **Joan Axford**, Secretary-Treasurer, School District No. 63 (Saanich), appointed by the Teachers' Pension Board of Trustees, Chair of the Human Resources and Compensation Committee; **John Wilson**, Instructor, School of Business, Capilano College, appointed by the College Pension Board of Trustees; **Paul Martin**, Staff Representative, BC Government and Service Employees' Union, appointed by the Public Service Pension Board of Trustees, Member of the Human Resources and Compensation Committee.

Seated: **Chris Trumpy**, Deputy Minister, Ministry of Environment, appointed by the Minister of Finance, Chair of the bcIMC Board, Chair of the Audit Committee; **John Johnston**, Vice President, Human Resources, Vancouver Island Health Authority, appointed by the Municipal Pension Board of Trustees; **Bob Elton**, President and CEO, BC Hydro, appointed by the Minister of Finance, Member of the Audit Committee.

bcIMC Board Governance

COMPOSITION OF THE BOARD

The Act requires bcIMC's Board to have seven directors as follows:

- One Director appointed by the College Pension Board from among its members;
- One Director appointed by the Municipal Pension Board from among its members;
- One Director appointed by the Public Service Pension Board from among its members;
- One Director appointed by the Teachers' Pension Board from among its members;
- Two Directors, representative of other clients, appointed by B.C.'s Minister of Finance; and
- One other Director appointed by B.C.'s Minister of Finance.

BOARD INDEPENDENCE

All Directors and the Board Chair are non-executive directors and independent of management. The Board appoints the CEO/CIO and conducts an annual performance review. The Board has regular in-camera meetings without management present.

Other Directorships of the bcIMC Board Members

BOARD MEMBER	ORGANIZATION	POSITION
Chris Trumpy	Fraser Basin Council	Director
	Land and Water British Columbia	Director
Joan Axford	Teachers' Pension Plan	Trustee
Bob Elton	Accenture Business Systems for Utilities	Director
	Canadian Business for Social Responsibility	Chair
	Vancouver Board of Trade	Director
Sid Fattedad	Terminal City Club of Vancouver	Director
	Coast Mountain Bus Company	Chair
John Johnston	Municipal Pension Plan	Trustee
	Richmond Marine Rescue Society	Director
	Victoria Marine Rescue Society	Board Member
Paul Martin	Public Service Pension Board	Trustee
John Wilson	Capilano College Faculty Association	Vice President
	College Pension Plan	Trustee
	iGEN Knowledge Solutions	Director
	Shiloh-Sixth Avenue United Church Congregation	Chair

bcIMC Board Governance

bcIMC Board Attendance

	BOARD MEETINGS		STRATEGY RETREAT		AUDIT COMMITTEE		HUMAN RESOURCES AND COMPENSATION	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Chris Trumpy	4	4	1	1	4	4		
Joan Axford	4	4	1	1			3	3
Bob Elton	4	4	1	1	4	3		
Sid Fattedad	4	3	1	1			3	3
John Johnston	4	3	1	0				
Dr. Bruce Kennedy[1]	4	1	n/a	n/a				
Paul Martin	4	4	1	1			3	3
John Wilson[2]	4	3	1	1				
Roger Clarke[3]					4	4		

1 Dr. Kennedy resigned from the Board in August 2005.
2 Mr. Wilson joined the bcIMC Board in September 2005.
3 Mr. Clarke is a non-director committee member.

BOARD ACTIVITY AND COMMITTEES

The Board meets with management on a quarterly basis, and meetings are scheduled in advance. Additional meetings are arranged when business issues arise that require immediate Board attention. The Board also holds an annual strategic retreat that provides input into the preparation of the bcIMC business plan.

The Board has two standing committees that meet at least three times a year:

- The Audit Committee oversees bcIMC's audit programs, financial management controls, and financial reporting. It consists of two bcIMC Directors and an independent outside appointee.
- The Human Resource and Compensation Committee reviews matters relating to human resource strategies, compensation philosophy, succession management, performance incentive plans, and position classification systems. It consists of three Directors.

bcIMC Board Governance

CORPORATE GOVERNANCE BEST PRACTICES

The Board continually reviews and improves its oversight practices to reflect industry guidelines and recommendations.

The Code of Conduct for Directors, posted on the bcIMC website, sets the minimum code of conduct expected and required of all bcIMC Directors. Board members must make timely disclosure of any direct or indirect interest, material or not, in any proposed or completed bcIMC contract, transaction, or investment. They are also required to abstain from voting on resolutions concerning transactions in which they have a personal interest.

The Board operates under a culture that promotes active participation at Board and committee level. Management reports and recommendations are expected to be thoroughly debated.

To ensure good governance in an increasingly complex environment, the Board provides financial support of director developmental activities. Based on a skills assessment of the Board, Directors are encouraged to attend training programs and conferences that will enhance existing, and develop new competencies. New directors are introduced to bcIMC and their fiduciary and governance duties through an orientation program. External experts and staff specialists assist with the orientation.

Annually, the Board evaluates its corporate governance practices and the activities of management in nine areas. Directors are also required to make suggestions for improvements.

GOVERNANCE INITIATIVES

2005-2006 was a busy year for the Board with the adoption of a range of governance initiatives, in particular:

- The Board benchmarked its corporate governance practices and disclosure against national standards and its peers, and decided to adopt many of the disclosure requirements of the National Instrument 58-101;
- bcIMC expanded the governance and Board information available on the bcIMC website;
- The Board amended its Code of Conduct and now requires Directors to disclose all outside directorships and other positions that they may hold, and annually certify their compliance with the Code;
- The Board approved amendments to the Audit Committee mandate giving it the responsibility to foster a culture of honesty and ethical behaviour;
- The Board appointed a new external auditor and established safeguards to ensure the auditor remains independent of management while permitting management to hire the auditor for non-audit services; and
- The Board moved that bcIMC should voluntarily adopt the new CICA section 5970 reporting requirements for service organizations. bcIMC will now provide clients and their auditors with a more extensive report on our operational controls.

bcIMC in the Community

Our operations touch the lives of many residents of British Columbia, with the most obvious being the value we add to B.C. public sector pension funds. We also contribute to the community in other ways, such as supporting charities and community organizations, interacting with students, and contributing to the investment and pension industry.

PARTICIPATING IN THE INVESTMENT AND PENSION INDUSTRY

bcIMC believes that sharing our knowledge and experience with our peers reaps long-term benefits for all parties. During the year, we hosted delegations from Vietnam Social Security, the Pacific Pension Institute, and the Washington State Investment Board. Our staff has also spoken at international and national investment industry conferences and seminars.

We co-hosted a "Climate Change and Responsible Investing Symposium" with the Ministry of Environment and the University of Victoria. The panel included international speakers and addressed climate change and the implications for institutional investing.

bcIMC and its staff are active participants in industry and professional associations. These include the CFA Institute, the Pension Investment Association of Canada, the Canadian Association for Business Economics, the Canadian Venture Capital Association, and the Business Continuity Management Program Advisory Committee.

bcIMC in the Community

GUIDING THE INVESTMENT PROFESSIONALS OF THE FUTURE

bcIMC continues to support the MBA programs at the University of British Columbia and Simon Fraser University. We are represented on the Client Advisory Committee for Portfolio Management and the Global Asset and Wealth Management Business Council. Students are required to manage a portfolio for a period of time, and our investment professionals meet with the students on a regular basis to discuss and review their investment strategies.

During the summer, bcIMC offered work programs to five students from these universities and from Camosun College; two were later offered full-time employment opportunities. Throughout the four-month period, students are provided with work experience in the investment world. In addition to work experience, bcIMC also advises students on résumés, interview skills, and preparing for a career in the investment industry.

CONTRIBUTING TO THE B.C. COMMUNITY

bcIMC and its employees continue to be a major supporter of the United Way which supports 39 local charitable organizations. Our donations earned bcIMC's tenth consecutive Gold Plaque Award in recognition for being in the top 20 percent of our industry. Our employees run an annual campaign supported by bcIMC that has routinely earned a nomination for the Employee Campaign of the Year Spirit Award. This year was no exception!

We also support our immediate community. Over the past five years, bcIMC staff has raised money through recycling programs and personal contributions of food and toys to support the Burnside Gorge Community Association's Christmas Hampers for families in need.

The Partner for Life is a new initiative for bcIMC, and staff are encouraged to donate blood on a regular basis.

The United Way Gold Plaque Awards with the Spirit Awards in the background.

Glossary

Annual Rate of Return	The rate of return generated over a 12 month period (e.g., April 1, 2005 to March 31, 2006).
Annualized Rate of Return	A rate of return that is mathematically converted to a yearly or annual rate of return. Annualized rates of return reflect the impact of compounding.
Basis Points	One hundredth of one percent (1/100 of 1%). 100 basis points is equal to one percent. Basis points express percentages in a smaller unit and are useful when expressing the yields and spreads of individual bonds.
Benchmark	A standard against which the investment performance can be measured.
Bond	A fixed income security issued by government or a private company that pays a fixed rate of interest and repays the principal at maturity.
CCGG	The Canadian Coalition of Good Governance is a coalition of institutional investors with more than $900 billion in assets, that promotes good corporate governance.
CICA	The Canadian Institute of Chartered Accountants
Corporate Governance	Concerned with promoting transparency, accountability and corporate fairness.
Debenture	A debt security backed by the financial strength of the issuer and not by any specific assets.
Enhanced Indexing	An investment strategy in which the value adding strategies of active managers are combined with the risk management strategies of indexing.
Equities	Securities that represent ownership in a corporation.
ESG	Environmental, social and governance. This is commonly used when talking about responsible investing.
Fiduciary	An individual, organization or association that has control or influence over the property of another party. The fiduciary is legally obligated to act in the best financial interests of the beneficiaries, to treat all beneficiaries even-handedly and not to personally profit from the management of the trust.
Hedging	An investment made to reduce the risk of adverse price movements in a security, by taking an offsetting position in a related security.
National Instrument 58-101	Requirements for the disclosure of corporate governance practices by public corporations operating in Canada.
Notional Value	The underlying face value of the financial instrument or commodity specified in a futures or options contract.
Overweight	When an investment position is larger than the target allocation.
Portfolio	The mix of assets held for a single client or product.
Proxy Voting	A member who is entitled to vote at a meeting authorizes another member to vote on his or her behalf at a specific meeting and under specified circumstances.
Real Estate Income Trusts (REIT)	A company that purchases and manages real estate and/or real estate loans. Some REIT purchase long-term mortgages while others actually buy real estate. Income earned by the trust is generally passed through and taxed in the hands of the stockholders.
Spread	- The difference between the bid and ask prices for a particular security. - The difference in yield between two fixed income securities.
Tactical Asset Allocation	When an investment manager makes "mid-course" changes to long-term strategy to improve the investment returns.
TSX	The Toronto Stock Exchange.
Underweight	When an investment position has a lesser proportion than the benchmark includes.
Yield Curve	At any particular time, the relation between bond yields and maturity lengths. The yield curve usually has a positive slope (i.e., yields on long-term bonds generally exceed yields on short-term bonds). With an inverted yield curve, long-term yields are lower than short-term yields.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Financial Statements

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Management's Responsibility for Financial Statements

MARCH 31, 2006

Location: 3rd Floor, 2940 Jutland Road, Victoria, BC, V8T 5K6
Mailing Address: PO Box 9210, Stn Prov Govt, Victoria, BC V8W 9R1

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements of the British Columbia Investment Management Corporation rests with management. The consolidated financial statements, which by necessity include some amounts that are based on management's best estimates and judgements, are prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the consolidated financial statements and present fairly the Corporation's financial position and results of operations. The consolidated financial statements have been reviewed and approved by the Corporation's Board of Directors.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records maintained. The internal accounting control process includes management's communication to employees of policies that govern ethical business conduct.

These consolidated financial statements have been examined by the Corporation's independent auditor, KPMG LLP, and their report is presented herein.

Doug Pearce
Chief Executive Officer
Chief Investment Officer

David Woodward
Vice President, Finance & Operations

Auditor's Report To The Shareholder

We have audited the consolidated balance sheet of British Columbia Investment Management Corporation as at March 31, 2006 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for March 31, 2005 were reported on by the Auditor General of British Columbia.

KPMG LLP

Chartered Accountants

Vancouver, Canada
May 12, 2006

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Consolidated Balance Sheet

AS AT MARCH 31

	2006 ($000's)	2005 ($000's)
ASSETS		
Current assets		
Cash and short-term investments *(note 3)*	6,515	5,449
Accounts Receivable		
Direct costs *(note 4)*	37,709	17,732
Fees and other	1,418	4,200
Prepaid expenses	252	179
	45,894	27,560
Capital assets *(note 5)*	1,101	1,354
	46,995	28,914
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities		
Direct costs *(note 4)*	36,672	17,618
Other *(note 6)*	5,960	6,867
	42,632	24,485
Long-term liabilities *(note 6)*	1,894	1,808
	44,526	26,293
Equity		
Share capital *(note 1)*	-	-
General reserve *(note 7)*	1,243	1,243
Retained earnings	1,226	1,378
	2,469	2,621
	46,995	28,914

Commitments *(note 8)*

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Director

Director

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Consolidated Statement of Operations and Retained Earnings

FOR THE YEAR ENDED MARCH 31

	2006 ($000's)	2005 ($000's)
REVENUES		
Recoveries of direct costs *(note 4)*	113,442	71,111
Funds management fees	18,907	17,836
Other	169	116
Total Revenues	132,518	89,063
EXPENSES		
Direct costs *(note 4)*	113,442	71,111
Salaries and benefits	13,567	12,308
Systems operations	2,201	2,051
Office and business	1,164	1,065
Rent	820	598
Insurance	670	618
Professional services	374	523
Amortization	343	296
Other	89	99
Total Expenses	132,670	88,669
NET INCOME (LOSS)	(152)	394
RETAINED EARNINGS – beginning of year	1,378	694
Transfer of contributed surplus to retained earnings	-	290
RETAINED EARNINGS – end of year	1,226	1,378

See accompanying notes to consolidated financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31

	2006 ($000's)	2005 ($000's)
CASH FLOW PROVIDED BY (USED FOR):		
Operating activities		
Net income (loss) for the year	(152)	394
Items not involving cash – Amortization	343	296
Changes in non-cash working capital		
Accounts receivable	(17,195)	(1,807)
Prepaid expenses	(73)	(7)
Accounts payable and accrued liabilities	18,147	1,420
Long-term employee benefits	115	256
Cash flows from operating activities	1,185	552
Investing activities		
Capital assets	(90)	(839)
Financing activities		
Long-term loan (repayment)	(29)	127
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	1,066	(160)
CASH AND SHORT-TERM INVESTMENTS – beginning of year	5,449	5,609
CASH AND SHORT-TERM INVESTMENTS – end of year	6,515	5,449

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2006

1. Nature of Operations

The British Columbia Investment Management Corporation (the "Corporation") is a Crown corporation under section 16 of the *Public Sector Pension Plans Act*, S.B.C. 1999 c44 (the "Act"). The capital of the Corporation is one share with a par value of ten dollars. The share is issued and registered in the name of the Minister of Finance on behalf of the Province of British Columbia (the "Province").

On January 1, 2000, the Corporation assumed responsibility for the fund management services previously provided by the Office of the Chief Investment Officer, a division of the Ministry of Finance. In accordance with the Act, the Corporation, as agent, can manage the assets of various public sector pension funds, the Province, provincial government bodies (Crown corporations and institutions) and publicly-administered trust funds.

The estimated market value of assets managed by the Corporation as of March 31, 2006 was $76 billion (2005: $67 billion). Of that, $57 billion (2005: $50 billion) is administered on behalf of pension funds and $19 billion (2005: $17 billion) on behalf of various trust funds and other clients. These assets are invested in segregated investments or aggregated in one or more pooled investment portfolios managed by the Corporation. The Corporation annually prepares separate audited financial statements for all pooled investment portfolios with more than one beneficial owner. The financial statements of the pooled investment portfolios and segregated assets held in trust for clients are not consolidated in the financial statements of the Corporation.

The Corporation in its role of providing fund management services may control the general partner of certain limited partnerships through which investments are made on behalf of the Corporation's clients. The general partners' activities are conducted through incorporated companies in which the Corporation holds the voting shares, which entitle the Corporation to a nominal beneficial interest. The clients hold their share of the investment either through a pooled investment portfolio or on a segregated basis. The financial statements of entities which are controlled and in which the Corporation has a beneficial interest (referred to as subsidiaries) are consolidated, and as such, the following general partner subsidiaries are consolidated in the Corporation's financial statements:

Name	Ownership of voting shares	Income allocation
4245997 Canada Inc.	100%	1/3 of 0.00001%
bcIMC Fixed Term Fund Corporation	100%	0.01%

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2006

The Corporation, as agent, makes investments on behalf of its clients and may also establish companies in which it holds, as trustee, the voting (but non-participating) shares for the sole purpose of managing specific investments. As the Corporation has no beneficial interest in these entities, they are not consolidated in the Corporation's financial statements.

The Corporation recovers all operating expenses and capital expenditures on a cost recovery basis.

As an agent of the Crown, the Corporation is exempt from federal and provincial income taxes.

2. Significant Accounting Policies

Basis of Presentation – The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Short-Term Investments – Short-term investments are recorded at cost, which generally approximates fair value.

Capital Assets – Capital assets are recorded at cost less accumulated amortization. Software development costs, including labour and material costs for design, construction, testing and implementation, are capitalized for business systems expected to be of continuing benefit to the Corporation.

Amortization is calculated on a straight-line basis over the following estimated useful asset lives:

Furniture, equipment	10 years
Mainframe, mini-computers, related software	5 years
Personal computer hardware, peripherals, related software	3 years

Leasehold improvements and interests are amortized on a straight-line basis over the remaining initial lease term.

Long-term Incentive Plan – The Company provides a retention incentive to employees in senior staff positions through a long-term incentive plan ("LTIP"). Eligible staff are entitled to their first LTIP payment after four complete fiscal years of employment with the Corporation. LTIP is accrued for eligible employees at an amount equal to one quarter of the estimated pay-out for the current year and each of the following three years. The estimated payment for years beyond the next fiscal year is recorded as a long-term liability.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2006

Post-Employment Benefits

a) The Corporation and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the Act. The British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. The Plan is a multi-employer defined benefit pension plan. The Plan operates under joint trusteeship between the employers and the Plan members, who share in the risks and rewards associated with the Plan's unfunded liability or surplus. The most recent actuarial valuation as of March 31, 2005 indicated that the Plan is in an unfunded liability position, which resulted in a pension contribution rate increase of 1.88 percent for both employers and employees.

The Corporation's annual cost of employee benefits under the Plan amounted to $641,650 (2005: $571,630).

b) Employees are also entitled to a retiring allowance as provided for under their terms of employment. As employees render the services necessary to earn the benefit, the Corporation estimates and accrues the future obligation for retiring allowances. As at March 31, 2006, the accrued liability for retiring allowances is $427,977 (2005: $407,400). The retiring allowance is an unfunded liability since funds have not been set aside in a trust account.

Revenues – Revenues are received from: recoveries of direct costs related to the pooled investment portfolios and segregated investments, fees charged for funds management services, and the Corporation's investments.

Direct cost recoveries are accrued as the related costs are incurred. Fees are charged at a level that allows the Corporation to recover all cash outlays and accrued expenses, including capital expenditures.

General Reserve – General reserves for future expenditures may be appropriated from retained earnings at the discretion of the Board.

Measurement Uncertainty – The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts on the Consolidated Balance Sheet and Consolidated Statement of Operations and Retained Earnings. Subjective estimates include post-employment benefits and long-term incentive plan accruals. Management believes its estimates to be appropriate, however, actual results could differ and any differences will be reflected in the future period in which they are identified.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2006

3. Cash and Short-Term Investments ($000's)

Short-term investments consist of units in pooled investment portfolios managed by the Corporation, specifically the Canadian Money Market Fund ST2 and the U.S. Money Market Fund ST3. U.S. dollar investments are translated at the year-end foreign exchange rate.

	2006	2005
Cash	62	47
Short-term Investments	6,453	5,402
	6,515	**5,449**

4. Direct Costs ($000's)

The Corporation contracts with third parties for investment, custodial, legal, audit and other services.

a) Costs related to providing funds management services and administering investments on behalf of a specific client's segregated investment or a pooled investment portfolio are recovered directly from that entity. These direct costs are shown as expenses, and the recovery of these costs as revenue, in the Consolidated Statement of Operations and Retained Earnings.

	2006	2005
Investment services	104,336	62,338
Custodial	6,313	5,205
Legal, audit, other	2,793	3,568
	113,442	**71,111**

b) The direct costs receivable reflects amounts not yet recovered from pooled investment portfolios or segregated investment clients, and the direct costs payable balance is the amount accrued and owing to direct cost service providers.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2006

5. Capital Assets ($000's)

	Cost	Accumulated Amortization	2006 Net Book Value	2005 Net Book Value
Furniture, equipment	375	176	199	190
Mainframe, mini-computers, related software	1,145	674	471	614
Leasehold improvements and interests	731	300	431	550
	2,251	**1,150**	**1,101**	**1,354**

6. Long-Term Liabilities ($000's)

	2006	2005
Accrual for employee benefits	2,534	2,512
Five year loan-bearing interest @ 7% per annum	128	156
Subtotal	2,662	2,668
Less short-term portion, included in accounts payable and accrued liabilities	768	860
Long-term liabilities	**1,894**	**1,808**

The five year loan represents the capitalized value of leasehold improvements financed through annual building occupancy payments.

Notes to the Consolidated Financial Statements

YEAR ENDED MARCH 31, 2006

7. Related Party Transactions

The Corporation is related to all Province of British Columbia ministries, agencies and Crown corporations through common ownership.

Transactions with these entities are in the normal course of operations and are recorded at the exchange amounts. Computing, communication, leased premises and other services obtained from the Province and Crown corporations totaled $1,049,760 (2005: $921,441) of which $37,177 (2005: $149,186) was included in accounts payable and accrued liabilities.

8. Commitments

The Corporation entered into a five year accommodation lease agreement commencing February 1, 2005, which includes three 5-year renewal options. The estimated minimum payment under the lease for office rental and accommodation services for the remaining 46 months of the initial lease term totals $3,100,770, of which $808,896 is payable annually for the next three years and $674,082 is payable in fiscal 2010.

9. Fair Values

The carrying values of cash and short-term investments, direct costs receivable, fees and other accounts receivable, direct costs payable, and accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

The fair value of long-term liabilities is less than its carrying value because the amounts are due in years after 2006 and they do not bear interest. The fair value of the long-term liabilities is estimated by management to be approximately $1.7 million which was determined by discounting estimated future cash flows using the Government of Canada bond rate over a comparable term to maturity.

10. Comparative Figures

Certain 2005 comparative figures have been reclassified to conform to the current year's presentation.

Our Vision

We will be the responsible fund manager of choice for the British Columbia public sector, at the forefront of the industry and consistently exceeding the performance and service expectations of our clients.

Our Mission

We are accountable to our clients to provide professional fund management for all asset classes, exercising the highest standards of prudence and fiduciary responsibility. We deliver to our clients the highest return for a given level of risk, at a reasonable cost, while recognizing our responsibility to the broader society through our governance, social, and environmental related activities.

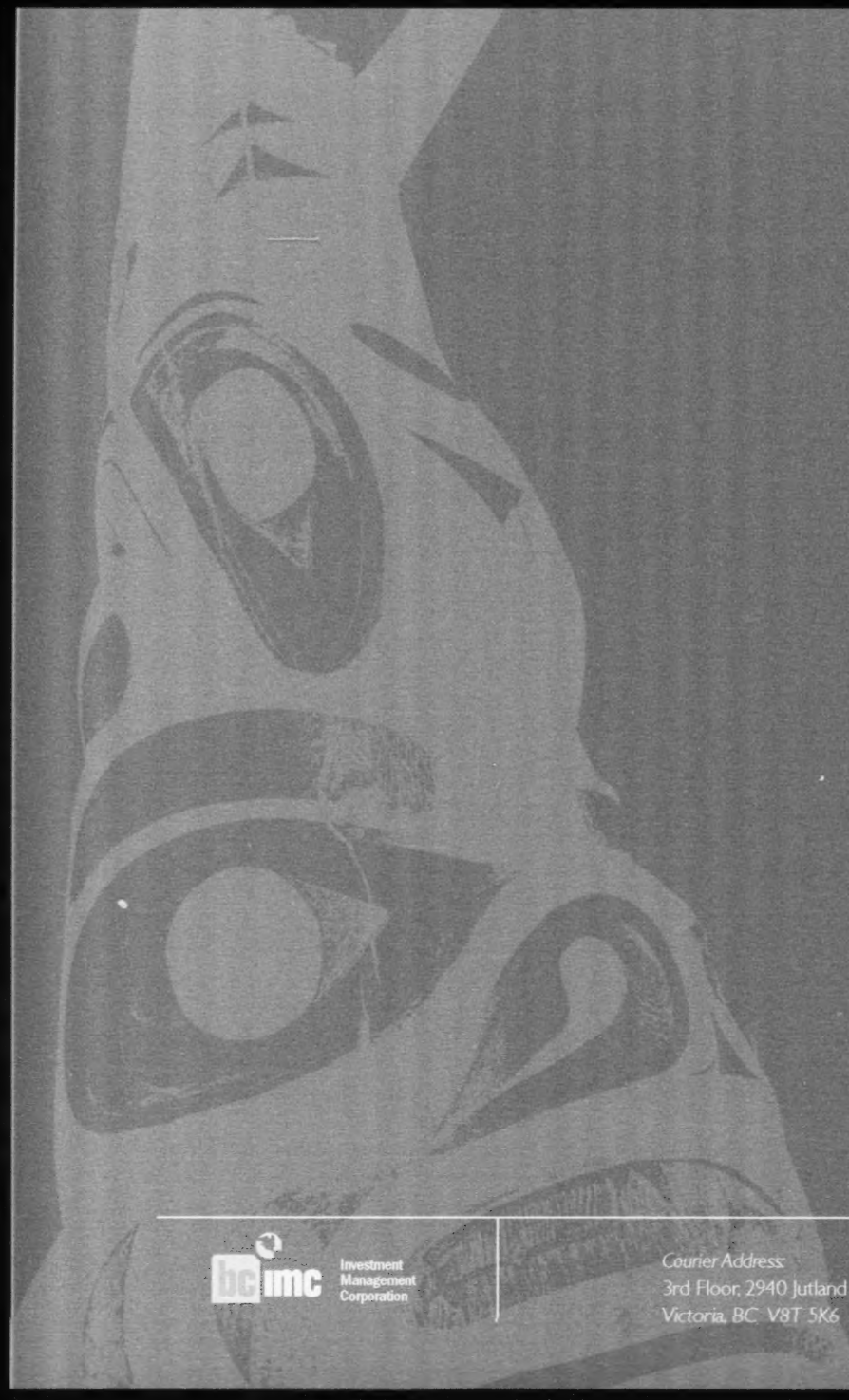
Our Values

Respect

Integrity

Honesty

Trust



Eco-Audit
Environmental Benefits Statement

The bcIMC Annual Report is printed on stock made from 100% recycled post-consumer waste. This stock is manufactured with non-polluting, wind-generated energy and is certified by the Forest Stewardship Council. By using this environmentally friendly paper, bcIMC has saved the following resources:

trees	waterborne waste	wastewater	solid waste	emissions	energy
15.94 saved	46.02 pounds	6,769.21 gallons	718.19 pounds	1,403.61 pounds	9,173,193.67 BTUs

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